

*St. David Water Association*  
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Arizona Corporation Commission

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Regarding the proposed rate structure for the St. David Water Association submitted by the ACC Staff, docket no. W-02084A-01-0389. The board of directors of the St. David Water Association requests a hearing with the Arizona Corporation Commission to allow input from customers and concerned citizens of the area.

Specifically, we feel the inverted tier structure proposed by the ACC Staff is unfair to the customers who use the most water. A customer, who keeps a lawn, grows a garden, or raises livestock should not be penalized for these activities by paying nearly double the commodity rate of low users. The current availability of plenty of water is one of the major reasons many of the residents live in this rural community. For many years it has been a model of beauty for travelers from other parts of the state and country. It is recognized as a green oasis in an otherwise arid region, where residents have lawns, gardens and livestock. While we understand the need for conservation, we would like the conservation to be in decreases in water waste by encouraging new technologies in irrigation systems, upgrading old and leaking lines and fixtures, and planting water efficient grasses, shrubs and trees. Wise use is a better alternative to non-use. We also feel the rate structure proposed by your staff will adversely affect the water company as an entity by driving a substantial number of customers from our system, encouraging them to utilize existing wells or drill new ones, primarily our high gallon users. We have approximately 50 active customers with wells on their properties, which, due to convenience rather than well condition or water quality, prefer to utilize our system. Several have already indicated they will probably revert to using these older wells if the proposed rates are implemented.

The purpose of our requested rate increase is to increase operating income. According to the Staff Report, the proposed rate structure will "provide a positive cash flow of approximately \$43,000 for contingencies and other unforeseen expenditures or plant additions" Staff Report, p.6. Using our test year 2000 data with the Staff proposed rates, we estimate revenues at \$172,743, or approximately the same as the ACC Staff estimate of \$173,279. However, estimating that users will decrease water usage by the amounts presented on page 2, projected revenues will be only \$149,439. Using the staff adjusted expenses of \$114,711, repayment of Advances in Aid of Construction of approximately \$1,000 and debt service coverage of \$35,364(actual figures), and adding the depreciation of \$16,701, this leaves a positive cash flow of just \$15,065. Property taxes for the current year have increased by \$11,478, projected

pumping costs are estimated to increase by more than \$3,000, while year to date water sales are off nearly \$7,000 through September of this year. Thus the projected positive cash flow rapidly dwindles to a **negative** cash flow of over \$6,000.

A rate structure that discourages use or encourages customers to use or drill their own wells is not to the benefit of a small utility as we are. A rate increase that is equitable to all customers should encourage more community members to join the association and utilize the system to spread the costs to as many customers as possible. Within our certificated area are more than 100 residences and businesses on private wells to which we would like to provide potable water in the future. We feel the rate structure we previously proposed best meets the needs of all our association members while allowing us the flexibility to make improvements where needed to assimilate new growth and upgrade the existing facilities.

Sincerely,



Reg Garavito, Board President  
St. David Water Association



Fred Kartchner  
Operations Manager

## Consumption Analysis

Using actual usage data from test year 2000  
 if consumption changes according to the following,  
 gross revenue will be affected by the following amounts (tax not included)

|           | current usage | decrease by (%) | average | reduction | new average |
|-----------|---------------|-----------------|---------|-----------|-------------|
| 0 to      | 10,000        | 0%              | 5000    | 0         | 5000        |
| 10,001 to | 20,000        | 5%              | 15001   | 750       | 14251       |
| 20,001 to | 30,000        | 10%             | 25001   | 2500      | 22501       |
| 30,001 to | 40,000        | 20%             | 35001   | 7000      | 28001       |
| 40,001 to | 50,000        | 20%             | 45001   | 9000      | 36001       |
| 50,001 to | 60,000        | 30%             | 55001   | 16500     | 38501       |
| 60,001 to | 70,000        | 30%             | 65001   | 19500     | 45501       |
| 70,001 to | 80,000        | 30%             | 75001   | 22500     | 52501       |
| over      | 80,000        | 100%            |         |           |             |

|                               |            |
|-------------------------------|------------|
| Current gross revenues        | 133,497.12 |
| Staff proposed gross revenues | 149,439.00 |
| total increase                | 15,941.88  |
| % increase                    | 11.94%     |